

Message Text

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ACTION SS-25

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O R 282035Z OCT 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC IMMEDIATE 1859

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

C O N F I D E N T I A L SECTION 1 OF 2 SAN JOSE 4561

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EXDIS

E.O. 11652: GDS

TAGS: ECON, XM, CS

SUBJECT: OMB BUDGET CUT FOR FY-1977

JOINT EMBASSY/USAID MESSAGE

FOR: ROGERS AND KLEINE FROM CHARGE AND AAO

REF: STATE 253483

1. SUMMARY: WE BELIEVE THAT IMPLEMENTATION OF THE OMB PROPOSAL WOULD STRAIN U.S. RELATIONS WITH COSTA RICA BOTH BILATERALLY AND IN MULTILATERAL FORUMS. BILATERALLY, COSTA RICA, WHICH GIVES DEVELOPMENTAL CONCERNS VERY HIGHEST PRIORITY, WOULD BE SHARPLY DISAFFECTED BY THIS CLEAR MANIFESTATION OF DISINTEREST AND UNRESPONSIVENESS TO A CLOSE PARTNER ON PART OF USG. IT COULD BE EXPECTED ALSO TO PERCEIVE THIS INITIATIVE AS A BASIC REVERSAL OF LONG-STANDING U.S. COMMITMENTS TO SUPPORT HEMISPHERE DEVELOPMENT AND INDEED OF THE "NEW DIALOGUE" ITSELF, AND TO ARTICULATE THIS PERCEPTION IN PUBLIC AND MULTILATERAL
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FORUMS. COSTA RICA HAS CONSISTENTLY OBJECT TO APPLICATION

OF ARBITRARY GNP CRITERIA BY INTERNATIONAL ASSISTANCE AGENCIES, AND WOULD SURELY CHALLENGE THIS SIMPLISTIC FORMULA AGAIN. BOTH CENTRAL AMERICA INTEGRATION AND HEMISPHERIC RELATIONS WOULD BE SET BACK SHOULD THIS OMB PROPOSAL BE IMPLEMENTED. END SUMMARY.

2. AS PAST CASPS HAVE MADE CLEAR, DEVELOPMENTAL OBJECTIVES, PARTICULARLY THOSE DIRECTED TOWARD NARROWING THE SOCIAL GAP, ENJOY HIGHEST PRIORITY IN THIS COUNTRY. THESE ARE OBJECTIVES TOWARD WHICH AID HAS AND CAN MAKE A UNIQUE CONTRIBUTION, ESPECIALLY UNDER CURRENT CONGRESSIONAL MANDATE. SUDDEN REVERSAL OF OUR CONSTANT POSTURE OF CONCERN AND RESPONSIVENESS IN THE DEVELOPMENTAL FIELD COULD NOT HELP BUT BE PERCEIVED BY GOCR AND COSTA RICANS AT LARGE AS A FUNDAMENTAL POLICY CHANGE, IF NOT INDEED AS A NEGATION OF OUR PAST COMMITMENTS TO THE HEMISPHERE, AND WOULD PLACE STRAINS ON OUR OVERALL BILATERAL RELATIONSHIP WHILE REDUCING BOTH OUR INFLUENCE AND OUR FAVORABLE IMAGE HERE. THIS IMPACT WOULD BE SLIGHTLY ATTENUATED TO EXTENT THAT ALL OTHER COUNTRIES LISTED PARA. 1 REFTEL ARE GIVEN ABSOLUTELY SAME TREATMENT AND COSTA RICA IS THEREFORE NOT SINGLED OUT. IMPACT WOULD ALSO BE ATTENUATED IF AUTHORITY WERE CONTINUED FOR NEW TECHNICAL ASSISTANCE PROJECTS, TRAINING AND OTHER SERVICES.

3. IMPLEMENTATION OF OMB PROPOSAL IN ITS BROADEST APPLICATION WOULD EFFECTIVELY TERMINATE U.S. BILATERAL AID TO LATIN AMERICA. CONTINUATION OF PROGRAMS IN HAITI AND BOLIVIA WOULD NOT ATTENUATE GENERAL PERCEPTION THAT USG HAD TAKEN DELIBERATE DECISION TO WITHDRAW DIRECT SUPPORT OF LA DEVELOPMENT. EVEN THOUGH ACTION WERE BASED ON AN OSTENSIBLY TECHNICAL CRITERION SUCH AS PER CAPITA INCOME, IT WOULD BE DIFFICULT TO COUNTER GENERALIZED BELIEF THAT DECISION REFLECTS BASIC REAPPRAISAL OF U.S. FOREIGN POLICY PRECEPTS. WE SURMISE THAT GOCR WOULD VIEW IT IN THAT LIGHT AND PUBLICLY EXPRESS GREAT CONCERN ABOUT WHAT IT MAY PORTEND FOR BOTH BILATERAL RELATIONS AND OVERALL US-LA RELATIONS. BECAUSE GOCR IS ATTEMPTING TO SERVE AS MODERATE INTERMEDIARY IN HEMISPHERIC AFFAIRS, IT MIGHT WELL SPEAK OUT IN HEMISPHERIC FORUMS WHICH COULD POSE FUNDAMENTAL QUESTIONS
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ABOUT U.S. DIRECTIONS AND INTENTIONS. THE THEMES IT COULD STRESS ARE ABVIOUS, E.G., THAT A.I.D. TERMINATION IS FRESH EVIDENCE OF U.S. DISINTEREST IN LA AND BAD OMEN FOR THE "NEW DIALOGUE"; IT IS INCONGRUENT WITH PAST U.S. PROFESSIONS OF "SPECIAL RELATIONSHIP" WITH HEMISPHERE AND A NEGATION OF SECRETARY'S PREVIOUS ASSURANCES THAT USG WOULD ENDEAVOR TO MAINTAIN ASSISTANCE LEVELS, BOTH BILATERAL AND THROUGH IFI'S.

4. WE ARE CONFIDENT THAT GOCR WOULD DISPUTE LOGIC AND WISDOM OF USING PER CAPITA INCOME AS SOLE DETERMINANT OF "AID-WORTHINESS," ESPECIALLY SINCE PROPOSED INCOME LEVEL EXCLUDES FROM BENEFITS OF U.S. BILATERAL ASSISTANCE ALL BUT SMALL FRACTION OF LATIN AMERICAN POOR, I.E., THOSE POOR WHO HAPPEN TO BE HAITIANS OR BOLIVIANS. FONMIN FACIO AND PLANNING MINISTER ARIAS ALREADY HAVE PUBLICLY CRITICIZED ADOPTION OF PER CAPITA INCOME CRITERIA BY IMF AND IBRD "THIRD WINDOW."

5. IMPACT ON CENTRAL AMERICAN REGION: ROCAP CAN BEST ASSESS IMPACT OF A.I.D. TERMINATION ON CA INTEGRATION. HOWEVER, WE BELIEVE THAT WITHDRAWAL OF U.S. SUPPORT FOR REGIONAL INSTITUTIONS WOULD SERIOUSLY WEAKEN THEM, PARTICULARLY CABEI. REGIONAL ECONOMIC AND SOCIAL DEVELOPMENT CLEARLY WOULD BE RETARDED, AS OTHER FOUR CA NATIONS DEPEND MUCH MORE HEAVILY ON A.I.D. ASSISTANCE THAN COSTA RICA.

6. IMPACT ON HEMISPHERE: THROUGHOUT LATIN AMERICA, REACTION TO A.I.D. CUT-OFF WOULD BE HIGHLY VARIED. ANTI-U.S. FACTIONS WOULD HAVE FIELD DAY, HAPPILY PLAYING IT BOTH WAYS, I.E., GOOD RIDDANCE OF "GRINGO IMPERIALISTS" ON ONE HAND, BUT ALSO RENEWED EVIDENCE THAT U.S. HAS NO INTEREST IN HELPING LATIN AMERICA. OUR FRIENDS WOULD BE HIGHLY PERTURBED, PROBABLY MORE BY THE ADVERSE SYMBOLIC MEANING OF THE ACTION, THAN BY THE HARMFUL EFFECTS OF REDUCED RESOURCE FLOWS. WHILE NATIONS WITHOUT ACTIVE A.I.D. PROGRAMS WOULD HAVE FEW IF ANY INTERNAL REASONS TO OBJECT, WE BELIEVE THAT THEY WOULD JOIN THEIR LA NEIGHBORS PUBLICLY TO CHARACTERIZE THIS ACTION AS CONTRARY TO U.S. ASSERTIONS OF INTENTION TO CONFIDENTIAL

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SHARE OUR TECHNOLOGY AND PUBLIC CAPITAL TO ABET LA DEVELOPMENT. MEANWHILE, OUR LIMITED OR NON-EXISTENT ABILITY TO OFFER ANYTHING DIRECTLY IN SUPPORT OF DEVELOPMENT WOULD HARDLY SEEM A FITTING POSTURE FOR THE RICHEST AND MOST TECHNOLOGICALLY ADVANCED COUNTRY WHICH ALSO ESPOUSES A CLOSE PARTNERSHIP WITH THIS REGION. AND, IN THIS RESPECT, WE MUST NOT DELUDE OURSELVES THAT OUR CONTRIBUTIONS TO UN, OAS, IBRD AND IDB ARE EFFECTIVE PROXIES FOR BILATERAL COOPERATION. FREQUENTLY, LA NATIONS WANT OUR ASSISTANCE, NOT THAT OF IFI'S. MOREOVER, OUR INPUTS INTO INTERNATIONAL AGENCIES LOSE THEIR IDENTITY EVEN BEFORE THEY DELIVER THEIR GOODS ABROAD.

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O R 282035Z OCT 75
FM AMEMBASSY SAN JOSE
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AMEMBASSY MANAGUA
AMEMBASSY PANAMA

C O N F I D E N T I A L SECTION 2 OF 2 SAN JOSE 4561

STADIS//////////

EXDIS

JOINT EMBASSY/USAID MESSAGE

FOR: ROGERS AND KLEINE FROM CHARGE AND AAO

7. COMMENTS ON THE OMB PROPOSAL:

(A) UTILIZATION OF PER CAPITA INCOME FOR DETERMINING
AID-WORTHINESS IS AN EXCEEDINGLY CRUDE STANDARD. METHODOLOGY
FOR INTRODUCING INTERNATIONAL COMPARABILITY INTO PER
CAPITA INCOME ESTIMATES IS STILL IN EARLY EXPERIMENTAL
PHASE AND HAS NOT BEEN APPLIED ON ANY MEANINGFUL SCALE.
THE PURCHASING POWER OF \$300 EQUIVALENT IN RWANDA (OR
EVEN COLOMBIA) IS SUBSTANTIALLY DIFFERENT FROM COSTA
RICA. MOREOVER, AGGREGATE PER CAPITA FIGURES, OF
COURSE, TELL US NOTHING ABOUT INCOME DISTRIBUTION AND
LITTLE ABOUT THE REAL PHYSICAL AND PSYCHOLOGICAL QUALITY
OF LIFE OF A COUNTRY'S POPULATION. A.I.D. IS DEVELOPING
SOPHISTICATED TECHNIQUES FOR MEASURING NEED FOR AID
AND WORTHINESS FOR RECEIVING IT. WE BELIEVE A.I.D.
SHOULD BE ENCOURAGED TO APPLY THESE MORE SENSITIVE ANALYTICAL
METHODS RATHER THAN IMPOSING SIMPLISTIC PER CAPITA CRITERION,
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ESPECIALLY WHEN INTERNATIONAL COMPARABILITY DOES NOT EXIST.

(B) WE ALSO BELIEVE THAT THE INTENT OF THE CONGRESSIONAL MANDATE IS TO CONCENTRATE OUR RESOURCES ON IMPROVING THE LOT OF POOR PEOPLE, AND NOT NECESSARILY POOR COUNTRIES AS SUCH. DOUBTLESS, THERE ARE SOME VERY POOR COUNTRIES WHOSE POLICIES ARE NOT PARTICULARLY AID-WORTHY, WHILE THERE ARE OTHER LESS POOR NATIONS WHOSE ENLIGHTENED PROGRAMS AND PERFORMANCE MERIT OUR SUPPORT.

(C) THE OMB PROPOSAL WOULD SEVERELY LIMIT OUR OPTIONS TO USE A.I.D. NOT ONLY AS A DEVELOPMENTAL AND HUMANITARIAN INSTRUMENT, BUT ALSO TO PROMOTE OTHER FOREIGN POLICY OBJECTIVES IF NECESSARY. WE DOUBT THAT IT IS DESIRABLE FOR THE U.S.G. TO PLACE SUCH A RESTRICTION UPON ITSELF.

(D) FINALLY, DECISIONS TO INITIATE, CONTINUE, OR TERMINATE U.S. BILATERAL AID PROGRAMS ARE, OR SHOULD BE, BASED ON STATE'S FOREIGN POLICY REQUIREMENTS AND A.I.D.'S TECHNICAL CRITERIA, THE LATTER OF WHICH AS NOTED ABOVE ARE METHODOLOGICALLY SUPERIOR TO THE SINGLE NORM OF PER CAPITA INCOME.

8. WE RECOMMEND THAT AMBASSADOR TODMAN, WHO IS NOW IN DEPARTMENT, BE GIVEN OPPORTUNITY TO COMMENT ON THIS MESSAGE.
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